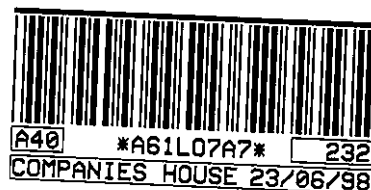


**Cognitus Limited**

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Officers & Professional Advisors

Directors	R W Stevenson E F Wolstenholme
Secretary	R W Stevenson
Registered Office	1 Park View Harrogate N Yorks
Company Number	2946435
Auditors	Bulmer & Co 2 Mount Parade Harrogate HG1 1BX
Bankers	Midland Bank plc 7 Prospect Crescent Harrogate N Yorks



## Cognitus Limited

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### Report of the Auditors' - To the Members of Cognitus Limited

We have audited the Accounts on pages 2 to 11 which have been prepared under the historical cost convention and on the basis of the accounting policies set out on page 8.

### Respective Responsibilities of Directors and Auditors

As described in the Directors Report, the Company's Directors are responsible for the preparation of the Accounts. It is our responsibility to form an independent opinion, based on our audit, on those Accounts and to report our opinion to you.

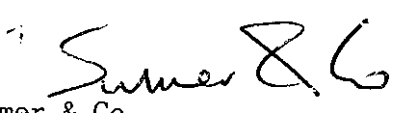
### Basis of Opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the Accounts. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the Accounts, and of whether the accounting policies appropriate to the Company's circumstances have been applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Accounts are free from material misstatement, whether by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the Accounts.

### Opinion

In our opinion the Accounts give a true and fair view of the state of the affairs of the Company as at 30th April 1998 and of the profit of the Company for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

  
Bulmer & Co  
Certified Accountants  
& Registered Auditors

17 June 1998

# Cognitus Limited

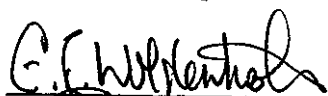
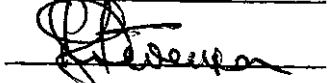
## Balance Sheet

30th April 1998

	Note	1998	1997
Tangible Fixed Assets	5	16,488	8,941
Intangible Assets - Formation Costs	8	-	490
		<hr/>	<hr/>
Current Assets		16,488	9,431
Cash at Bank		40,565	15,564
Trade Debtors	12	109,226	69,392
Stock	1	11,920	9,575
		<hr/>	<hr/>
		161,711	94,531
Less Current Liabilities	6	144,382	89,590
		<hr/>	<hr/>
Net Current Assets		17,329	4,941
		<hr/>	<hr/>
		33,817	14,372
		<hr/>	<hr/>
Capital & Reserves			
Share Capital Issued & Fully Paid	7	960	100
Profit & Loss Account		32,857	14,272
		<hr/>	<hr/>
		33,817	14,372
		<hr/>	<hr/>

The directors have taken advantage of special provisions conferred by Part VII of the Companies Act 1985 applicable to small companies.

Signed on Behalf of the Board :

E Wolstenholme, Director

R W Stevenson, Secretary

16 June 1998

1 Accounting Policies

a) The financial statements are prepared under the historical cost convention.

b) Depreciation

Depreciation of fixed assets is provided on cost over their estimated useful lives. The annual rates and methods of depreciation are as follows :-

Office Equipment	25% reducing balance basis
Computers etc	50% straight line basis

c) Stock is valued at the lower of cost and net realisable value.

d) Cash Flow Statement

The company qualifies as a small company under the provisions of Sections 247 - 249 of the Companies Act 1985 and has therefore taken advantage of the exemption from preparing a Cash Flow Statement.

e) Foreign currency transactions have been translated at the rate at which they were charged. Stock value in US dollars has been translated at a rate of £1 = \$1.65.

2 Turnover

Turnover is the value of invoiced work during the year net of VAT.

3 The profit/(loss) on ordinary activities is after charging :-

	<u>1998</u>	<u>1997</u>
Depreciation of Owned Assets	18,195	13,207
Auditors Remuneration	2,500	1,800
Staff Costs (Note 4)	192,296	113,487

4 Employee Costs During the Year

- Wages & Salaries (including Directors)	177,766	107,065
- Executive Pension Costs	12,893	4,785
- Directors Life Insurance	1,637	1,637

	<u>192,296</u>	<u>113,487</u>
	=====	=====

Average Number of Directors	<u>2</u>	<u>2</u>
	===	===

Directors Emoluments	50,333	41,333
Pension Costs	4,119	2,476
Life Insurance	1,637	1,637

	<u>56,089</u>	<u>45,446</u>
	=====	=====

# Cognitus Limited

## Notes Forming Part of the Accounts

Year Ended 30th April 1998

	<u>1998</u>	<u>1997</u>	
Remuneration of the Highest Paid Director	£35,333	£26,333	
Number of Directors in the band £10,001 – £15,000	1	1	
£25,001 – £30,000	0	1	
£30,001 – £40,000	1	0	
 5 <u>Tangible Fixed Assets</u>			
<u>Cost</u>	<u>Computer Equipment</u>	<u>Office Equipment</u>	<u>Total</u>
As at 1 May 1997	29,012	4,959	33,971
Additions During the Year	20,307	5,435	25,742
	<hr/>	<hr/>	<hr/>
Cost as at 30 April 1998	49,319	10,394	59,713
	<hr/>	<hr/>	<hr/>
<u>Depreciation</u>			
As at 1 May 1997	23,083	1,947	25,030
Provision for the Year	16,083	2,112	18,195
	<hr/>	<hr/>	<hr/>
As at 30 April 1998	39,166	4,059	43,225
	<hr/>	<hr/>	<hr/>
Net Book Value at 30 April 1998	10,153	6,335	16,488
	<hr/>	<hr/>	<hr/>
Net Book Value at 30 April 1997	5,929	3,012	8,941
	<hr/>	<hr/>	<hr/>
6 <u>Current Liabilities</u>			
Amounts Falling Due Within One Year :-	<u>1998</u>	<u>1997</u>	
VAT Creditor	14,361	17,133	
Directors' Current Accounts	5,216	20,000	
Trade Creditors & Accrued Expenses	61,049	34,433	
Taxes & Social Security Costs	8,248	2,868	
ACT Payable	-	5,000	
Corporation Tax	14,300	10,156	
Bank Overdraft	41,208	-	
	<hr/>	<hr/>	
	144,382	89,590	
	<hr/>	<hr/>	
7 <u>Share Capital</u>			

On 14 March 1997 the authorised share capital was increased to £1,000,000. In January 1998 the directors subscribed for a further 700 ordinary 'A' shares. Employees of the company subscribed for 160 'B' shares which carry no voting rights.

# Cognitus Limited

Notes Forming Part of the Accounts

Year Ended 30 April 1998

8	<u>Profit and Loss Account</u>	<u>1998</u>	<u>1997</u>
	As at 1 May	14,272	10,963
	Profit for the Year	19,075	3,309
	Intangible Assets (Formation Costs) Written Off	(490)	-
		<u>32,857</u>	<u>14,272</u>
9	<u>Related Parties</u>		
	During the year the company traded with Cognitus Systems Ltd., a company under the control of R W Stevenson, a director of Cognitus Ltd.		
	Transactions during the year were as follows :-		
		<u>1998</u>	<u>1997</u>
	Software Distribution Rights Leased from Cognitus Ltd	22,222	23,333
	Management Fees paid to Cognitus Systems Ltd	55,000	45,000
10	<u>Continuing Obligations</u>		
	At the Balance Sheet date the company held four cars on contract hire. These contracts will run until between August 2000 and March 2001.		
11	<u>Corporation Tax</u>	<u>1998</u>	<u>1997</u>
	Current Year Liability	14,300	10,516
12	<u>Trade Debtors</u>		
	Debtors	96,912	64,121
	ACT Recoverable	7,500	5,000
	Inter-Company Account		
	- Cognitus Systems Ltd	-	271
	Prepaid Expenses	4,814	-
		<u>109,226</u>	<u>69,392</u>